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Administration Of The
Head Start Program By
The Mountain Community
Action Program, Inc. B-164031(1)

Office of Child Development
Department of Health, Education
and Welfare

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

913465

089969

AUG. 25, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D C 20548

B-164031(1)

Dear Senator Byrd

This is our report on the management of the Head Start program of the Mountain Community Action Program, Inc , Marion, Va , which was funded by the Office of Child Development, Department of Health, Education, and Welfare. Our review was made pursuant to your request of September 21, 1971.

Because the report includes recommendations to the Secretary of Health, Education, and Welfare and information of interest to local program officials, we believe copies should be furnished to them. Release of the report, however, will be made only upon your agreement or upon public announcement by you concerning its contents. Officials of the Department of Health, Education, and Welfare and the Mountain Community Action Program, Inc , have not been given an opportunity to formally examine and comment on the contents of this report.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "A. J. Keller", is positioned above the typed name of the Deputy Comptroller General.

Deputy Comptroller General
of the United States

The Honorable Harry F Byrd, Jr
United States Senate

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ABBREVIATIONS

GAO General Accounting Office

HEW Department of Health, Education, and Welfare

Mt. CAP Mountain Community Action Program, Inc.

OEO Office of Economic Opportunity

81-1-35, 20A

CHAPTER 1

INTRODUCTION

In response to a request dated September 21, 1971, from Senator Harry F. Byrd, Jr. (see app. I), we reviewed the Head Start program and certain other activities of the Mountain Community Action Program, Inc., (Mt. CAP), Marion, Va.

Head Start is a child development program that provides health, education, nutrition, psychological, and social services to economically disadvantaged preschool children. Head Start is also a Community Action Program that stresses parent and community involvement. Although it is authorized under the Economic Opportunity Act of 1964, Head Start is administered by the Office of Child Development, Department of Health, Education, and Welfare (HEW). The Office of Economic Opportunity (OEO) delegated this responsibility to HEW effective July 1, 1969. At the time of our review, Head Start was operating primarily under OEO guidelines.

Mt. CAP is the Community Action Agency for Wythe, Bland, and Smyth Counties and was incorporated in Virginia on April 20, 1965, as a charitable and private nonprofit organization under the name of Wythe-Bland Development Corporation. The present corporate name, Mountain Community Action Program, Inc., was adopted on April 26, 1968. The corporation administers antipoverty programs in the three counties and is governed by a board of directors which, as of September 1971, consisted of 24 members representing the local governments, the private sector at large, and the low-income population of the area.

According to Mt. CAP's August 1970 application for OEO funds, 41 percent of all families, or 5,841 families, living in the three-county area served by Mt. CAP had incomes of less than \$3,000. For program year 1971, or the period beginning October 1, 1970, and ending September 30, 1971, Mt. CAP received a grant of about \$262,900 from HEW for Head Start and grants totaling about \$170,000 from OEO for various programs. Mt. CAP also was awarded contracts totaling about \$258,400 from the Department of Labor for the Neighborhood Youth Corps program for the period August 16, 1970, through August 29, 1971.

For program year 1971 HEW funds of about \$261,200 were expended and non-Federal contributions valued at about \$85,000--consisting almost entirely of donated building space and labor--were recorded by Mt. CAP for operation of the Head Start program. During that year Mt. CAP served about 200 Head Start children.

Our review was conducted primarily at the Mt. CAP office in Marion and was directed toward (1) evaluating the procedures and controls over expenditures, property, and cash receipts and (2) reviewing certain aspects of program management. It covered program year 1971 and dealt with Head Start although certain aspects of other programs administered by Mt. CAP were included. We reviewed grantee records and interviewed HEW and Mt. CAP personnel. We did not evaluate the effectiveness of Mt. CAP in achieving the legislative objectives of Head Start.

CHAPTER 2

IMPROVEMENTS NEEDED IN MANAGEMENT OF

MT. CAP HEAD START PROGRAM

The Mt. CAP Head Start program for the year ended September 30, 1971, was suspended for 2 weeks beginning September 13, 1971, because available Federal funds for the program were nearly exhausted. Only \$1,738 of Federal funds were in the Head Start program account at the end of the year. We estimate that an additional \$7,600 would have been needed to complete the program year. The financial difficulties of the program resulted primarily from weaknesses in financial management practices relating to the budgeting and expenditure of grant funds.

To help prevent future funding problems, improvements are needed in a number of financial management practices, particularly in Mt. CAP's budgeting practices. At Mt. CAP the basis used to estimate budgeted amounts was not always sound in that the expenses of the prior year were not adequately considered, responsible program personnel were not involved in the development and review of the budget, and the budget was not adequately controlled. As a result, the budget was not useful during the year to make valid comparisons between the budgeted amounts and program expenditures to determine if funds would be sufficient to meet program needs.

NEED TO STRENGTHEN FINANCIAL MANAGEMENT CONTROLS OVER PROGRAM EXPENDITURES

OEO and HEW grantees are required by regulation to develop an accounting system with appropriate internal controls to enable the efficient and effective administration of Federal funds. Our review of the Mt. CAP financial management procedures and practices included examining Head Start expenditures totaling \$32,790, or 12.6 percent of the total Head Start grant expenditures amounting to \$261,211 for program year 1971.

Although we did not review the financial practices regarding other Federal programs administered by Mt. CAP in

detail, we believe that the financial management weaknesses found in the administration of Federal funds for the Head Start program were probably applicable to other Mt. CAP programs.

Head Start funds used to pay expenses
of other Mt. CAP programs

OEO instructions require that each grantee administer and account for Federal funds by program. However, because of weak financial management practices, Head Start funds of about \$550 were used to pay expenses incurred for other Mt. CAP programs and other expenditures of about \$210 were charged in total to Head Start when they should have been allocated to all using programs.

Much of the documentation that we examined did not show the program to be charged. For most of these transactions, the executive director of Mt. CAP approved the vouchers for payments from Head Start funds without the knowledge of the Head Start director. We believe, therefore, that other expenditures charged to Head Start could have been expenses of other programs.

Misclassification of Head Start expenditures

OEO guidelines list and define accounts to be used to record financial transactions. Proper classification of expenditures by account is necessary, in our opinion, for effective monitoring of program expenditures and budget preparation. Of the transactions we reviewed involving expenditures of \$32,790, about \$1,000 was charged to the wrong Head Start accounts.

For example, a payment of \$96 for labor to renovate a Head Start center was charged to the account for consultant services. In another instance, a payment of \$354 for the purchase and installation of a water pump was charged to the maintenance supplies account. The Mt. CAP business manager told us that this payment was not charged to the maintenance of buildings account because the budgeted funds for that account had already been expended.

Payroll and related costs

Payroll and related costs for the period October 1970 through September 1971 amounted to about \$195,440, or about 75 percent of the total Head Start grant funds expended during that period. We reviewed the payroll transactions for August, which totaled about \$14,300 paid to 42 employees. We noted that improvements were needed in the preparation and control of time and attendance reports and cumulative leave records.

The time and attendance report is the basic document that is used to prepare the payroll and to record changes to employees' leave balances. The employee prepares the report at the end of each semimonthly pay period and his supervisor approves it. A cumulative leave record is prepared for each employee and shows the amounts of sick leave, annual leave, and compensatory time earned and taken

Compensatory time is time off duty without charge to annual leave to compensate for overtime hours worked by an employee. According to Mt. CAP's personnel handbook, compensatory time must be approved in advance by the employee's supervisor.

We noted the following types of deficiencies in the preparation and control of the time and attendance reports and the cumulative leave records.

- According to the business manager, compensatory time claimed for overtime was not approved in advance by the employee's supervisor, contrary to the personnel handbook. The employee who maintained the cumulative leave records told us that she had questioned the amount of compensatory time being claimed in only one case. The executive director and the employee's supervisor told her that they had no way of knowing whether the time claimed by the employee was valid and therefore they would not question it.
- In many instances the time and attendance reports contained entries that were marked through, written over, or illegible

--Two time and attendance reports were not approved by the employee's supervisor.

--In four instances compensatory time and sick leave taken were not subtracted from the employees' cumulative leave balances.

Travel

Expenditures of \$18,773 for Head Start employee travel--\$747 for out-of-town travel and \$18,026 for local travel--were recorded for the program year 1971. We reviewed all expenditures for out-of-town travel and \$2,033 of the amount for local travel.

OEO instructions require that (1) travel by employees of grantees be authorized in advance, (2) travel vouchers be fully documented, and (3) payments for travel be made in accordance with the Standardized Government Travel Regulations. These regulations were not being followed.

We could not determine the validity of about \$470 paid to employees for out-of-town travel because:

--Travel advances were made to employees without proper authorization. In one case the form authorizing travel was not on file, and in four other cases the form did not have the needed signatures indicating approval.

--In seven cases there was no supporting documentation in the files to show that the travel for which the advances were made was performed.

--Where documentation was on file, it did not contain relevant information, such as the period of travel and times of departure and arrival, for use as a basis in computing per diem.

A certified public accounting firm in a letter to Mt. CAP dated December 8, 1970, on the results of its audit for the program year ended September 1970, pointed out the need for better documentation in support of out-of-town travel.

The payments for local mileage were based on monthly mileage reports submitted by the employees. However, we were unable to determine the validity of \$913 of the local transportation payments reviewed because the documentation supporting the mileage claims by employees did not show the points of travel.

Procurement

Mt. CAP recorded procurement of supplies, materials, and other items in the amount of about \$37,280, or 14.3 percent of the total Head Start grant expenditures amounting to \$261,211 for program year 1971. We reviewed 152 expenditure transactions totaling \$9,635

OEO guidelines provide that procurements be authorized by purchase orders and that all purchases, except emergency purchases, be initiated centrally by the chief financial officer, or his designee, to help insure that purchase orders are properly prepared and approved and that purchases meet quality standards and are economical. The guidelines provide also that no expenditure transaction be approved unless the receipt of the purchased goods or services is properly documented.

We could not determine the validity of \$6,430, or 67 percent of the expenditures reviewed, because the purchases were not adequately documented.

- In 16 instances the amounts shown on the purchase orders and vendors' invoices and statements did not agree.
- In 39 instances purchase orders were not on file in support of recorded expenditures, and those that were on file were frequently incomplete.
- In 28 instances payments were made without documentation to show that the goods and services were received, and in 36 instances the documentation contained no evidence that the purchases were made for Head Start.

In addition, we noted that several Mt. CAP employees were authorized to make procurements without prior approval from

the central Mt. CAP office, provided the cost of the items purchased did not exceed \$50.

Property

According to the property ledger, the cost of Mt. CAP office and other equipment at September 30, 1971, was about \$27,250, including about \$18,925 for Head Start Inventory controls to safeguard this property were not adequate, and according to the business manager procedures had not been established to hold employees responsible for equipment in their custody

We randomly selected 20 items, costing about \$4,700, from the property ledger and traced them to their designated locations. We were unable to locate four items--a water cooler, typewriter, record player, and slide projector--costing over \$660. We asked the executive director and the business manager about the locations of these items and were told that the slide projector was in the executive director's home and the water cooler was in the auditorium awaiting repairs. They did not know where the typewriter and record player were. We noted that the slide projector was subsequently returned but could not verify that the water cooler was in the auditorium because the coolers there were not properly identified.

In addition, we traced two items--located at one of the Head Start centers--which were not in our sample of 20 items to the property ledger to determine if they had been recorded. One item was an employee's refrigerator on loan to the center. The other was a freezer which had been purchased on November 19, 1971, for \$283 but was not recorded in the property records at the time of our review on December 16, 1971. The business manager said that the freezer was not shown on the property ledger because he recorded the receipt of property at the end of each quarter. According to OEO guidelines entries are to be made to the property records when the property is received.

OEO guidelines also provide that grantees physically inventory all property purchased with Federal funds at least once a year and reconcile any differences between the

inventory results and the property records. According to the guidelines the persons taking the inventory generally should not be accountable for the property. The Mt. CAP business manager told us that, although adequate physical inventories had not been taken in the past, a current inventory of all items costing over \$100 was being taken and would be reconciled with the property records when completed. We pointed out to the executive director, however, that the inventory was being conducted by the Mt. CAP business manager, who was accountable for all Mt. CAP property. The executive director told us that in the future the inventory would be taken by someone other than the business manager.

Cash receipts

During program year 1971, total cash received from the Head Start program, excluding grant funds from HEW, amounted to \$12,898. Cash was received from the Mt. CAP staff for lunches provided to them at the Head Start centers and from other miscellaneous sources.

Although we noted only minor discrepancies between the documentation supporting the amount of cash that was collected and the recorded bank deposits of this cash, the internal control over the handling of cash receipts was weak.

OEO guidelines provide that employee duties and responsibilities be divided to achieve sound internal control. At Mt. CAP cash collected at the Head Start centers was turned in to the bookkeeper for the Head Start program. The bookkeeper was responsible for writing receipts for the amount of cash turned in, depositing the cash in the bank, and recording the amount collected in the accounting records. For one of the Head Start centers, the bookkeeper was responsible also for the initial collection of cash, which amounted to \$988 in program year 1971.

The receipts supporting the cash turned in were not independently verified to the documentation showing the amount of cash initially collected, and the amounts recorded in the accounting records were not independently traced to the bank statements and deposit slips. In our opinion, the functions of cash collection, deposit, and recording should,

to the extent practicable, be performed by different individuals and cash receipt transactions should be verified by someone who does not perform collecting or recording functions.

NEED FOR IMPROVED BUDGETING PRACTICES

We believe that an acceptable and workable budget system requires proper planning, coordination, and control and that historical data from prior program years should be considered as one factor in deriving a basis for each budget estimate. If the basis used to budget individual accounts is reasonable, the financial condition of the program can be monitored by periodically comparing budgeted amounts with actual expenditures. Those accounts where actual expenditures exceed the budget can then be analyzed to determine and control the causes. According to OEO guidelines this process, called budgeting control, is the responsibility both of central management and of management at each level; however, the head of each organizational unit, such as Head Start, is primarily responsible for operating his unit within its budget.

Because budgetary control is the responsibility of all levels of management, the budget should be coordinated during either budget preparation or review at these levels. Proper coordination of the budget should help insure that budget estimates are reasonable.

Mt. CAP prepared, as provided for in OEO guidelines, a monthly "Statement of Comparison of Actual Transactions with the Budget." This financial report showed at the end of each month and at the end of the program year the amount that was budgeted and the amount that was expended for each program account.

OEO guidelines provide that the monthly statement be reviewed by the grantee and that any line items where expenditures appear to be progressing at a rate likely to exhaust monies too quickly should be carefully examined and the cause determined. When the examination reveals that an account will be overexpended, the guidelines suggest that the grantee reduce the expenditure rate or, where this is not possible, effect a budget transfer, revision, or amendment to increase the spending authorization for the account.

Our examination of the statements for September 1970 and September 1971 showed that the budgeted amounts for several individual accounts were significantly overexpended or

underexpended and therefore did not realistically reflect program needs. The amounts were not reasonable, in our opinion, because a budget process as discussed above was generally not followed at Mt. CAP. As a result, we believe that Mt. CAP lost basic budgetary control during the program year.

Basis for budget estimates

The executive director developed the Mt. CAP Head Start budget for program year 1971. The following table shows for some of the accounts a comparison of the amounts budgeted and expended for the 1970 and 1971 program years. It indicates that more consideration should have been given to the actual expenses incurred in the prior program year to estimate 1971 funding requirements. We recognize that the executive director prepared the 1971 budget before the end of program year 1970 and could not have considered all 1970 costs when he initially prepared the budget. However, at least 8 months of the 1970 program year had elapsed before the 1971 budget was approved locally. Also the budget estimates could have been revised after all prior year expenses had been accounted for, but they were not.

<u>Account</u>	<u>Program year 1970</u>		<u>Program year 1971</u>	
	<u>Amount budgeted</u>	<u>Amount expended</u>	<u>Amount budgeted</u>	<u>Amount expended</u>
Local transportation	\$ 8,958	\$16,830	\$ 8,414	\$18,026
Maintenance of buildings	6,300	7,107	1,800	3,731
Utilities	2,880	4,332	2,160	2,969
Maintenance of vehicles	3,600	3,037	2,800	5,573
Office supplies	1,200	880	1,800	695
Postage, freight, and express	<u>960</u>	<u>316</u>	<u>1,440</u>	<u>363</u>
Total	<u>\$23,898</u>	<u>\$32,502</u>	<u>\$18,414</u>	<u>\$31,357</u>

As shown above, the amounts budgeted for the first three accounts had been significantly overexpended in program year 1970, yet the amounts budgeted for them for 1971 were decreased. These accounts were overexpended in 1971. The last two accounts had been underexpended in program year 1970, yet the amounts budgeted for them for 1971 were increased by 50 percent. These accounts were underexpended in 1971.

Because local transportation was overexpended in 1971 by more than twice the budget amount, we asked the executive director about his basis for estimating this account. The executive director told us that the amount budgeted in 1970 was reduced in 1971 because of plans to obtain additional surplus Government vehicles for use in the Head Start program. We noted, however, that the amount budgeted for maintenance of vehicles was reduced from \$3,600 for program year 1970 to \$2,800 for program year 1971. The executive director was unable to explain this budget decrease.

Budget coordination

The executive director of Mt. CAP, in preparing the 1971 Head Start budget, did not request the advice or assistance of the Mt. CAP business manager whose specific duties, according to the Mt. CAP personnel handbook, included preparing the budget and serving as principal advisor to the executive director on the budget. The executive director's explanation for this was that he had not allowed the business manager to become involved in budgeting.

The Head Start director also did not assist in the development of the 1971 budget. According to OEO instructions the Head Start director is responsible for preparing requests for funds and developing proposed work programs, which includes budget preparation. The executive director said that his staff had recently received training on planning work programs and developing budgets and that the Head Start director would be involved in budget preparation in the future.

Although the executive director did involve the board of directors during budget development, he said that board members approved the budget without much discussion and that the only questions they raised concerned the salaries of the Mt. CAP staff. He said also that the board of directors' budget committee, which is required to review the budget before submitting it to HEW, had never met.

On the basis of our discussions with members of the board, it appeared that they were not sufficiently informed of Head Start operations to make program decisions. One member said that, although she had been a board member for

several years, she still knew little about Head Start and that the matters voted on by the board members were not explained to them. Two other members told us that the board did not know about program requirements and operations or the board's responsibilities to the program. They also said that the board was first told of the suspension of the Head Start program by parents of Head Start children 2 days after the program was suspended.

Budgetary control

The following schedule of accounts taken from the December 31, 1970, "Statement of Comparison of Actual Transactions with the Budget" shows that, after the first 3 months of the 1971 program year had been completed, 46 percent of the funds budgeted for these accounts had been expended

<u>Account</u>	<u>Amount budgeted</u>	<u>Amount expended</u>	<u>Percent of budget used</u>
Local transportation	\$ 8,414	\$3,953	47
Maintenance of vehicles	2,800	1,141	41
Maintenance of buildings	1,800	1,004	56
Utilities	2,160	894	41
Telephone and telegraph	<u>1,800</u>	<u>761</u>	<u>42</u>
Total	<u>\$16,974</u>	<u>\$7,753</u>	<u>46</u>

As of March 31, 1971, less than \$1 remained of the amount budgeted for local transportation and the amounts budgeted for maintenance of buildings and for utilities had been exceeded by \$1,791 and \$1,119, respectively. The executive director told us that he became aware of these over-expenditures in April 1971 and felt that this would result in the closing of the Head Start program. We asked the executive director why he had not recognized the overexpenditures before April 1971, but he offered no explanation

During April 1971 the executive director took action to reduce the expenditure rate for local transportation. He instructed the Head Start director to verify mileage claims submitted by Head Start employees and to make the most advantageous use of Head Start vehicles to reduce the cost of local transportation.

The acting Head Start director told us that the verification of mileage claims had not been completed because transportation routes were changed to accommodate new children in the program and because the Head Start director resigned. The executive director said that he did not follow up to insure that his instructions were followed because he lost interest in the program due to a poor working relationship between him and an HEW official. (See ch. 3.)

During program year 1971 the amounts budgeted for individual accounts that had been overexpended were not adjusted by a budget transfer or revision. In addition, the Head Start director was not in a position to operate the program within its budget because Head Start expenditures were approved without his knowledge.

CONCLUSION AND ACTIONS TAKEN

A number of financial management procedures and practices followed at Mt. CAP, particularly those relating to budgeting, were not adequate to properly control the expenditure of Federal funds. As a result

- Head Start funds were used to pay expenses of other programs.
- Expenses were misclassified.
- The validity of many expenses could not be determined.
- Adequate control over property and cash receipts was not possible.
- Because budget estimates for several individual accounts were not reasonable or properly controlled, the budget was not a useful guide during the year for determining whether budgeted amounts would be sufficient to meet program needs

These deficiencies eventually caused the suspension of the Head Start program for 2 weeks.

We discussed these matters with Mt. CAP's executive director who agreed to take corrective action and had initiated some changes before we completed our review. For example, expense vouchers were being forwarded to the appropriate program directors for approval before payment and improved procurement procedures had been drafted and were being considered.

RECOMMENDATIONS TO THE SECRETARY OF HEW

HEW should monitor the actions taken by Mt. CAP to insure that:

- Procedures provide adequate assurance that Head Start funds are not used for other programs, expenses are properly classified, and cash receipts and property are properly controlled.
- Documentation is adequate to support program expenses.
- Future budgets are prepared using a sound basis, which includes giving adequate consideration to historical cost data, so that valid comparisons can be made between budgeted amounts and actual expenditures.
- Mt. CAP board members and staff are adequately involved in the development and execution of the budget.

CHAPTER 3

HEAD START PROGRAM MONITORING BY

HEW NEEDS IMPROVEMENT

HEW's monitoring needs to be improved to provide for systematic evaluation of the financial management of grant funds during the program year and for insuring that recommended corrective action is taken by Mt. CAP. We believe that, had HEW effectively monitored the Mt. CAP Head Start program, it might have been able to prevent its 2-week suspension.

HEW MONITORING SYSTEM

The HEW Philadelphia regional office is responsible for monitoring the operations of the Mt. CAP Head Start program. The region's monitoring during program year 1971 consisted primarily of visits to the project by two regional officials called community representatives. One of the representatives, however, did not become involved with Mt. CAP until July 1971. According to the regional official who supervised community representatives, visits are made to assist grantees in the budget process, to monitor program operations, and to respond to calls from parents of Head Start children and project staff.

One of the community representatives told us that a visit was made in May 1971 in advance of Mt. CAP's finalization of its new program year budget to advise Mt. CAP officials of the amount of Federal funds that would be provided, to help plan the local program, and to examine the budget to determine if it contained the items considered necessary for an effective program. The other representative said that other visits were made in response to calls from parents or Mt. CAP staff but that none were made to routinely monitor program operations or to evaluate the financial management of grant funds.

Our review of the regional office files indicated that the results of these visits were not documented by trip reports but that after two of the visits letters were sent to

Mt. CAP. One letter contained recommendations for improvements needed in the Head Start program, and the other was a statement of HEW policy on parent involvements. The HEW Assistant Regional Director for Head Start and Child Development told us that community representatives were not required to prepare written reports.

In identifying local Head Start funding problems, HEW regional officials told us that they would not know about such problems unless the community representatives became aware of them during their visits. A consulting firm engaged by HEW to study the organization and management of the Office of Child Development stated in its draft report that (1) HEW was almost totally dependent on community representatives for ongoing implementation information and (2) community representatives consistently had not had the skills, staff training, or time to enable them to be effective grants managers.

HEW's handbook for community representatives makes them responsible for program review, which includes evaluating the financial management of grant funds. However, the handbook does not provide guidance on what community representatives should look for during their visits to determine if funds are being administered properly.

During visits in January, May, and July 1971, a community representative learned about certain financial and other problems at Mt. CAP through discussions with Mt. CAP staff and parents of Head Start children. Subsequently, the HEW regional office, by letter dated July 28, 1971, made a number of recommendations to Mt. CAP which pertained primarily to the need to obtain more involvement from parents of Head Start children but also made reference to the need to control program spending. In the letter the regional office asked for immediate action on the recommendations but did not require Mt. CAP to report to the regional office on the actions taken.

One of the community representatives told us that she had visited the project in September 1971 and learned that a few of the recommended improvements had been made. She said, however, that no formal or systematic followup action was taken to determine if each recommendation had been

implemented. Through our discussions with the executive director, we learned that he had taken action to implement most of the recommendations.

The certified public accounting firm in its report for program year 1970 recommended, in general, that Mt. CAP officials improve the documentation supporting travel expenditures, take action to control travel expenditures, and establish better control over cash receipts. Although the HEW regional office received a copy of this report, the Assistant Regional Director said that no formal followup action was taken on the recommendations because of a lack of staff. As discussed on pages 8 and 11, some weaknesses still existed in the controls over travel and cash receipts at the time of our review.

POOR WORKING RELATIONSHIP BETWEEN
EXECUTIVE DIRECTOR AND
HEW COMMUNITY REPRESENTATIVE

As explained in chapter 2 the executive director of Mt. CAP became aware during April 1971 of the need to control program spending and issued instructions designed to reduce travel costs. The instructions were not followed by the Mt. CAP staff, and the executive director did not follow up to insure their implementation.

The executive director attributed his failure to follow up to a poor working relationship with one of the HEW community representatives. He said that he lost interest in the program when the community representative refused, on May 6, 1971, to accept the Head Start program budget for 1972 because the parents of Head Start children had not been involved in its development. The executive director believed that the community representative's approach to obtaining more parent involvement was too demanding and forceful.

The community representative told us that she had been forceful with the executive director and that her working relationship with him was not good. Because of the obvious importance of an effective working relationship between HEW and local antipoverty program officials, we discussed this problem with the HEW Assistant Regional Director. He told us that, in general, many of the community representatives

lacked the skills and training needed for the position and that some were only temporary employees. He said also that the region lacked sufficient personnel to provide clerical and technical support to community representatives.

CONCLUSION

The HEW Philadelphia regional office monitoring of the Mt. CAP Head Start program was not systematic and did not provide adequate assurance that (1) the Head Start funds were being used efficiently and in accordance with OEO instructions and (2) program deficiencies were being corrected.

RECOMMENDATIONS TO THE SECRETARY OF HEW

To strengthen the monitoring of Head Start programs, we recommend that HEW:

- Revise the HEW handbook for community representatives to include guidelines for their use in monitoring the financial management of grant funds.
- Develop techniques to help insure that followup action is taken on recommended improvements, including those recommended by public accountants.
- Require community representatives to submit written reports on the results of their visits.
- Determine the training needs of community representatives and take action to meet these needs.

HARRY F BYRD, JR
VIRGINIA

United States Senate

WASHINGTON, D C 20510

September 21, 1971 1

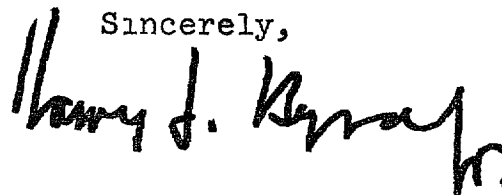
My dear Mr. Staats:

In response to an inquiry concerning the management of the Mountain Community Action Program (Head Start) in Marion, Virginia, my office has been in communication with members of your staff. Documents which have been presented to my office were passed along to the General Accounting Office representatives.

I am, by this letter, making a formal request that such investigatory action as deemed proper by your office, be taken.

With best wishes, I am,

Sincerely,



The Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office Building
441 G Street NW
Washington, D. C. 20548